MEPP

management employees pension plan

2002

Annual Report

Management Employees Pension Plan

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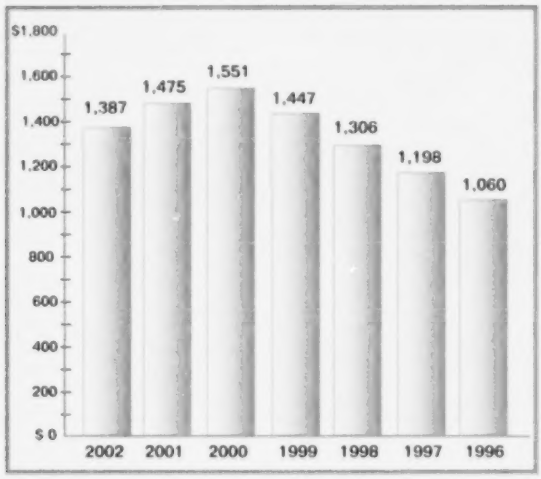
Financial Highlights

- For 2002, the Plan experienced a one-year investment loss of 5.3%. In 2001, investments lost 4.4%.
- Plan net assets at year-end were $1.39 billion, down from $1.48 billion in 2001.
- Contributions made to MEPP in 2002 totaled $46.5 million, up from $43.1 million in 2001. This included $20.2 million from active members, $26.0 million from employers and $0.3 million in transfers of funds from other plans.
- Payments from MEPP totaled $58.2 million, up from $52.1 million in 2001. Payments included $54.7 million in pension benefits, $1.6 million in refunds to members, $0.5 million transferred to other plans and $1.4 million in Plan expenses.
- New strategic goals and objectives were set by the Board in the *MEPP 2003-2005 Business Plan*.
- Further details of the Plan's finances are presented in the 2002 Financial Statements on page 26.

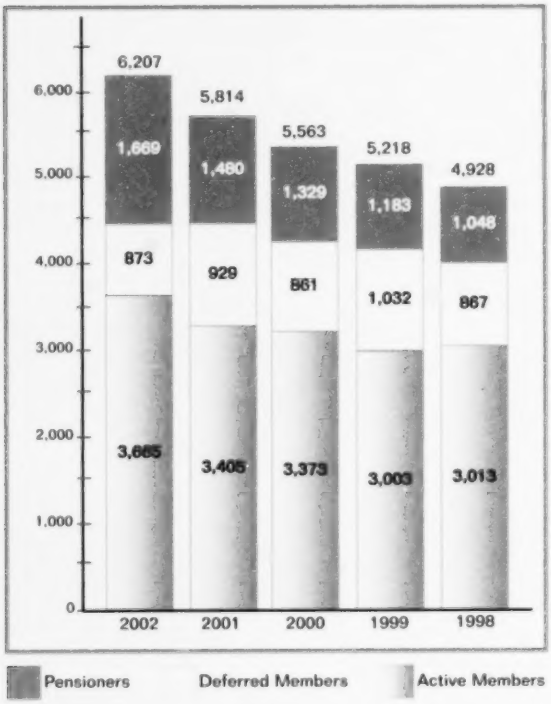
Market Value — Investments ($ millions)



Operational Highlights

- At year-end 2002, MEPP had 3,665 active members, 873 deferred members and 1,669 pensioners. Compared to 2001, active members increased 7.6%, deferred members decreased 6% and pensioners increased 12.8%.
- Five employers classed as "temporary" in MEPP were accepted as permanent employers of the Plan in 2002: Alberta Pensions Administration Corporation, Bow Valley College, NorQuest College, Northern Lakes College and Portage College.
- Thirty MEPP members terminated their employment under MEPP in 2002 prior to being vested.
- In 2002, 164 retiring members chose a normal spousal protection option, 16 chose a guaranteed term option and nine chose a single life option.
- In preparation for the implementation of the APEX system, MEPP employers participated in focus groups and training for the new operating procedures.
- MEPP's Plan summary in this report is expanded from seven years to nine years. See page 46.

Membership Statistics



Monthly Payment Distribution — 2002

Dollar value per month	Member pensions	Pension partner pensions	Total
1 to 999*	156	7	163
1,000 to 1,999	297	17	314
2,000 to 2,999	400	16	416
3,000 to 3,999	486	1	487
4,000 and over	287	2	289
Total	**1,626**	**43**	**1,669**

*Includes 32 advances

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Message from the Board

Message from the Board

Theresa Ostrum
Chair
Employee Nominee

Gail Armitage
Employee Nominee

Fred Barth
Employer Nominee

Nancy Bochard
Vice Chair
Employer Nominee

Bill Lenius
Employee Nominee

Rod McDermand
Employer Nominee

Lorne Saul-Demers
Public Service Commissioner Nominee

On behalf of the MEP Board, it is my pleasure to review 2002 and comment on the outlook for the Management Employees Pension Plan (MEPP).

The MEP Board is responsible for providing advice to the Minister of Finance in her role as Plan trustee and administrator. The Board oversees the administration and investment activities for both the MEPP and the Public Service Management (Closed Membership) Pension Plan (referred to as the Closed Plan). Last year's annual report noted that the Board would have a similar role with the Supplementary Retirement Plan for Public Service Managers (SRP), but this did not happen. After meetings with the Ministry of Finance it was agreed that the Board would focus on MEPP and the Closed Plan, while the Government of Alberta would retain responsibility for the SRP.

Governance Review

The Board continues to work towards improving governance of the Plan in the interest of all stakeholders. The Board has agreed with the Minister to jointly conduct a review of governance with representatives of the Minister in 2003. A consultant has been engaged to assist in the preparation of recommendations resulting from the review.

Investment Loss

In 2002, MEPP's investment loss was 5.3%. Although it was the second year in a row that the Plan had a negative annual return, the Board primarily looks at investments on a long-term basis.

Contribution Rate Increases

The Board filed an actuarial valuation as at December 31, 2001 and initiated another valuation for information purposes as at December 31, 2002. The 2001 valuation identified an unfunded liability had accrued which, together with an increase to cover higher current service costs, required increased contributions.

As advised by its actuary, the Board recommended to the Government of Alberta that the combined MEPP employer and member contribution rate increase to 22.6% of salary. The Government accepted the Board's recommendation for increases effective April 1, 2003 and maintained the 58% employer / 42% member split. Members will pay at a 9.5% rate and employers at 13.1%.

It is important to note that contribution rates are not rising because of recent investment performance alone. Other factors putting pressure on Plan funding include:

- an aging management workforce, with less time for funds invested to grow before retirement; and
- a larger than expected percentage of members taking advantage of early retirement provisions.

Even if market conditions improve, these and other demographic and experience factors will continue to affect Plan funding.

(continued on page 7)

(continued from page 6)

Efficient and Timely Pension Services

Alberta Pensions Administration (APA) Corporation launched a new pension administration system — the APEX project — in December 2002, to ensure services are delivered effectively, while increasing its flexibility to respond quickly to change. The project was initiated by APA with support from the MEP Board and three other pension boards. The system will become more visible in 2003 with Web functions for employers, members and Board members.

Thank You

I would like to take this opportunity to thank outgoing Board member and past Chair, Dianne Keefe, for her six years of service. In addition, I would like to thank former Board Secretary, Ken Patterson, for his four years of service and welcome new Board member, Rod McDermand, as an employer nominee.

I would like to express appreciation to Ladis Vegh and Tania Willumsen, the external members of the Investment Committee, as well as to the Investment Management Division of Alberta Revenue, APA, the Government of Alberta and all MEPP stakeholders for their continuing support of the Plan.

Theresa Ostrum, Chair
Management Employees Pension Board

Vision

Promised benefits will be paid.

Mission

Prudent governance of MEPP will be provided and cost-effective and timely services to members and retirees will be ensured.

Values and Principles

Plan assets will be managed effectively and efficiently in compliance with legislation and regulations;

All decisions made by the Board will be financially prudent, ensuring the overall financial health of the Plan is maintained and costs charged to the Plan are reasonable and equitable;

MEPP will be managed in an effective and efficient manner to the benefit of the members; and

The Board members embrace the prudent person concept in exercising good judgement on behalf of beneficiaries.

MEP Plan Profile

The Management Employees Pension Plan (MEPP) was originally established in 1972 as the Public Service Management Pension Plan for management employees of the Government of Alberta and approved agencies, boards and commissions. In 1993, new legislation was passed that divided the Plan into two separate plans. Active Plan members as of August 1, 1992 became members of MEPP.

Members who left the Plan or retired before August 1, 1992 and those who had 35 years of pensionable service by August 1, 1992, became members of the Public Service Management (Closed Membership) Pension Plan (Closed Plan). Funding for the Closed Plan is the responsibility of the Government of Alberta, as all MEPP pensions commenced prior to pension reform in 1992 were guaranteed by the Government.

MEPP is a contributory defined benefit plan, which means members contribute to the Plan and will receive a formula-based pension determined by their average pensionable salary and years of service. As of December 31, 2002, the Plan served 23 employers, 3,665 active members, 873 inactive members and 1,669 pensioners. An overview of the choices and benefits under the Plan is provided in the *MEPP Members' Handbook*.

Message from the Board

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Chair
Employee Nominee

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Fred Barth
Employer Nominee

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MEP Plan Profile

Plan Administration

The Minister of Finance has delegated responsibility to Alberta Pensions Administration (APA) Corporation to administer the Plan, subject to legislation. The Board monitors the performance of APA.

APA serves the Plan by:

- Calculating and paying benefit entitlements to Plan members and other beneficiaries;
- Gathering and retaining member data;
- Conducting employer training and member information seminars;
- Providing counseling sessions throughout Alberta;
- Producing and distributing communication materials; and
- Providing Board support services, which include:
  - Implementing Board policy; and
  - Providing advice to the Board, maintaining Board records and providing office support for the Board.

Investment

The Minister of Revenue is responsible for the management of the assets, taking into consideration the Board's *Statement of Investment Policies and Goals*, and the investment provisions of the *Employment Pension Plans Act* (EPPA), *Income Tax Act*, Canada and the *Financial Administration Act*. The Investment Management Division (IMD) of Alberta Revenue manages and invests Plan assets on behalf of the Minister of Finance and the MEP Board. The Board monitors the performance of IMD.

IMD serves the Plan by:

- Providing day-to-day management of the Plan's assets;
- Managing the assets of the Plan in accordance with the *Board's Statement of Investment Policies and Goals*;
- Maintaining investment records and supervising custodial arrangements;
- Selecting and monitoring outside investment managers as well as directly investing some Plan assets;
- Providing advice to the Board on investment issues; and
- Providing quarterly reports to the Investment Committee and the Board on the status of the Plan's investment portfolio.

Communications

Plan materials are available upon request and are posted on the Plan Web site at www.mepp.ca. They include:

- *MEPP Members' Handbook*;
- *Statement of Investment Policies and Goals*;
- Annual reports and financial statements;
- Administrative review decision process;
- Board review decision process; and
- Information sheets.

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Management Discussion and Analysis

Management Discussion and Analysis

This Management Discussion and Analysis (MD&A), together with the MEPP financial statements, provide an overview of initiatives and achievements during the past year, as well as the outlook for developments in 2003 and beyond. As trustee and administrator of MEPP, the Alberta Minister of Finance is aided in the management of the Plan by two bodies with responsibilities designated by the Minister:

- Alberta Pensions Administration (APA) Corporation, which administers the Plan subject to legislation; and
- The Investment Management Division (IMD) of Alberta Revenue, which invests MEPP's assets for the benefit of its members, subject to legislation and the investment policy guidelines established by the Board.

Representing the Government of Alberta (the largest MEPP employer), the Public Service Commissioner and the Personnel Administration Office also have significant roles in the management of the Plan. While there can be some overlap of roles in this arrangement, MEPP benefits from their experience and expertise.

The MEP Board oversees the services provided to the Plan by APA and IMD. Services provided by APA and IMD, charges for those services and performance standards are set out in *Memoranda of Understanding* between APA and the Board and between IMD and the Board.

Investment

Global equity markets declined again in 2002, reflecting fears of the war with Iraq, economic slowdown and concerns over corporate governance practices. MEPP's equity losses were partially offset by positive returns from fixed income and real estate.

The Plan's investment portfolio lost 5.3% in 2002. On an annualized basis, the Plan's four-year return was 3.3% and eight-year return was 8.6%. At year-end, Plan market value of assets was $1,387 million, down from $1,475 million one year earlier.

The majority of MEPP's investments are managed internally by IMD in accordance with the policies and guidelines established by the Board. In order to achieve greater diversification, some investments are managed by third-party investment advisors selected and monitored by IMD.

The table on the top of page 11 illustrates MEPP's return over various time periods compared to relevant indices.

	Annual Returns				Annualized Returns				
	2002 %	2001 %	2000 %	1999 %	1yr %	2yr %	3yr %	4yr %	5yr %
Total Fund	**-5.3**	**-4.4**	**8.1**	**16.0**	**-5.3**	**-4.8**	**-0.7**	**3.3**	**8.6**
Policy Benchmark	-5.6	-4.1	7.0	13.4	-5.6	-4.9	-1.1	2.4	8.3
Canadian Consumer Price Index	3.9	0.7	3.2	2.5	4.3	2.5	2.7	2.6	2.1
Short-term and Cash	**2.9**	**4.6**	**5.6**	**5.3**	**2.9**	**3.8**	**4.4**	**4.8**	**5.1**
SC 91-Day T-Bill Index	2.5	4.7	5.5	4.7	2.5	3.6	4.2	4.3	4.7
Long Bond	**9.5**	**8.6**	**10.8**	**-1.0**	**9.5**	**9.0**	**9.6**	**8.9**	**9.8**
SC Universe Bond Index	8.7	8.1	10.2	-1.1	8.7	8.4	9.0	8.4	9.6
Real Rate of Return Bonds	**15.2**	**-0.4**	**16.9**	**8.1**	**15.2**	**7.2**	**10.3**	**9.8**	**9.7**
SC Real Return Bond Index	15.3	0.5	16.7	8.0	15.3	7.6	10.6	9.9	9.8
Canadian Equities	**-12.9**	**-10.8**	**19.0**	**28.9**	**-12.9**	**-11.9**	**-2.8**	**4.5**	**9.9**
S&P/TSX Composite Index	-12.4	-12.6	7.4	31.7	-12.4	-12.1	-3.5	4.4	8.9
United States Equities	**-22.3**	**-6.4**	**-4.1**	**14.0**	**-22.3**	**-14.7**	**-11.3**	**-5.6**	**9.1**
S&P 500 Index	-22.9	-6.4	-5.8	14.2	-22.9	-15.0	-12.1	-6.1	12.0
Non-North American Equities	**-15.7**	**-16.3**	**-12.7**	**43.3**	**-15.7**	**-16.0**	**-14.9**	**-3.1**	**4.9**
MSCI EAFE Index	-16.8	-16.5	-11.2	20.0	-16.8	-16.7	-14.9	-7.3	2.0

Investment Results in Relation to Benchmarks

The investment return for each asset class and the overall performance of the Plan's assets are measured against clearly defined benchmarks. MEPP's investment policy benchmark (referred to as the "policy benchmark") is based on the long-term asset mix weightings of a portfolio invested in the following capital market indexes: ScotiaCapital Universe Bond and Real Return; ScotiaCapital 91-Day T-Bill; S&P/TSX Capped Composite; S&P 500 and the MSCI EAFE Index. IMD's performance is viewed against the policy benchmark to measure the effectiveness of its decisions. Performance is reviewed quarterly, with an emphasis on four-year time periods. The following table shows the value added by IMD in comparison to the various components of the policy benchmark.

Value added / lost by manager in comparison to benchmarks

	One Year	Four Years
Short-term Fixed Income	0.4%	0.3%
Bonds and Mortgages	0.8%	0.5%
Real Return Bonds	-0.1%	-0.1%
Canadian Equity	-0.5%	0.1%
U.S. Equity	0.6%	0.5%
Non-North American Equity	1.1%	4.2%

	Annual Returns				Annualized Returns				
	2002 %	2001 %	2000 %	1999 %	1yr %	2yr %	3yr %	4yr %	8yr %
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Policy Benchmark	5.6	4.1	7.0	13.4	5.6	4.9	1.1	2.4	8.3
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Long Bond	**9.5**	**8.6**	**10.8**	**-1.0**	**9.5**	**9.0**	**9.6**	**6.9**	**9.8**
SC Universe Bond Index	8.7	8.1	10.2	1.1	8.7	8.4	9.0	6.4	9.6
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S&P/TSX Composite Index	-12.4	-12.6	7.4	31.7	-12.4	-12.1	-3.5	4.4	8.9
United States Equities	**-22.3**	**-6.4**	**-4.1**	**14.0**	**-22.3**	**-14.7**	**-11.3**	**-5.6**	**9.1**
S&P 500 Index	-22.9	-6.4	-5.8	14.2	-22.9	-15.0	-12.1	-6.1	12.0
Non-North American Equities	**-15.7**	**-16.3**	**-12.7**	**43.3**	**-15.7**	**-16.0**	**-14.9**	**-3.1**	**4.9**
MSCI EAFE Index	-16.8	-16.5	-11.2	20.0	-16.8	-16.7	-14.9	-7.3	2.0

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	One Year	Four Years
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Bonds and Mortgages	0.8%	0.5%
Real Return Bonds	0.1%	0.1%
Canadian Equity	0.5%	0.1%
U.S. Equity	0.6%	0.5%
Non-North American Equity	1.1%	4.2%

Asset Mix

The following chart shows MEPP's asset mix as at December 31, 2002 in comparison with the year before.

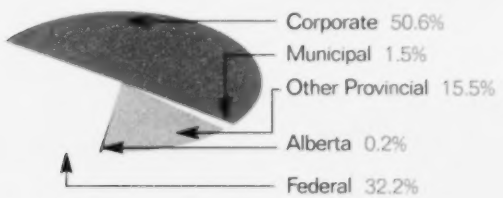
	Policy Asset Mix		Actual Asset Mix	
	2002	2001	2002	2001
Fixed Income				
Short-term and Cash	2.0%	2.0%	.7%	1.9%
Long Bond	33.0%	33.0%	33.2%	32.3%
Real Rate of Return Bonds	5.0%	5.0%	5.0%	4.6%
Total	**40.0%**	**40.0%**	**38.9%**	**38.8%**
Equities				
Canadian	25.0%	30.0%	25.6%	31.0%
United States	15.0%	15.0%	15.3%	15.5%
Non-North American	15.0%	15.0%	15.2%	14.7%
Real Estate	5.0%	-	5.0%	-
Total	**60.0%**	**60.0%**	**61.1%**	**61.2%**

Fixed Income Performance

MEPP's $540 million in fixed income is invested in bonds, mortgages, real return bonds and cash. The average market yield for MEPP's fixed income securities at year-end was 4.86%. The term to maturity profile of the portfolio was 24% over 20 years, 16% between 11 and 20 years, 28% between six and 10 years, 30% one to five years and 2% under one year.

Managed by IMD, the fixed income portfolio has outperformed its benchmarks in the short-term and over the long-term.

Summary of Fixed Income Holdings (issued and guaranteed by)



Equities

The MEPP asset allocation policy is designed to capture the historically higher rates of return offered by equity markets. In 2002, the Canadian, U.S. and EAFE markets lost 12.4%, 22.9%, and 16.8% respectively. The Board recognizes the importance of maintaining a steady course through this period of volatile equity markets.

Top 10 Canadian Equity Holdings
December 31, 2002

Company	%
Royal Bank of Canada	6.0%
Bank of Nova Scotia	4.4%
Toronto Dominion Bank	3.7%
BCE Inc	3.7%
Bank of Montreal	3.4%
Encana	3.3%
Sun Life Financial Services	3.2%
Petro Canada	2.8%
Alcan Inc	2.1%
Barrick Gold Corp	2.0%

Top 10 U.S. Equity Holdings
December 31, 2002

Company	%
Microsoft Inc	3.0%
Citigroup Inc	2.7%
General Electric Co	2.4%
Pfizer Inc	2.3%
Exxon Mobil Corp	2.3%
American International Group Inc	1.8%
Wal-Mart Stores	1.5%
Johnson & Johnson	1.4%
Proctor & Gamble	1.3%
Pepsico Inc	1.3%

Top 10 Non-North American Equity Holdings
December 31, 2002

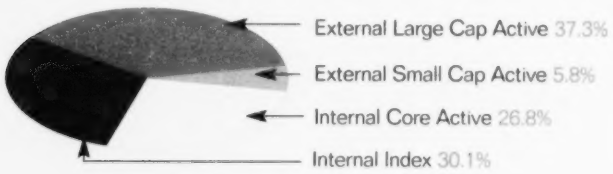
Company	%
Vodafone Group	2.9%
Glaxosmithkline	2.5%
Total Fina Elf	2.2%
BP PLC	2.1%
HSBC Holdings	1.9%
ENI	1.8%
UBS AG	1.8%
Novartis AG	1.7%
Nokia Corporation	1.4%
Royal Dutch Petroleum	1.3%

Canadian Equities

MEPP invests in Canadian equities through several strategies of diversification, including passive and active styles. IMD manages both the S&P/TSX Composite Enhanced Index and Core Pooled Funds. External investment advisors manage the large cap active strategy (investing in companies with a large market capitalization and incorporating value, growth and core styles) and the small cap active strategy.

IMD managed Canadian equity core pooled funds underperformed due to an overweight in underperforming growth stocks. In response, the Board has reduced the Plan's exposure to this product and slightly increased exposure to the passive (Index) pooled fund, as well as to externally managed products that have outperformed their respective benchmarks.

Summary of Canadian Equity Holdings



Foreign Equities

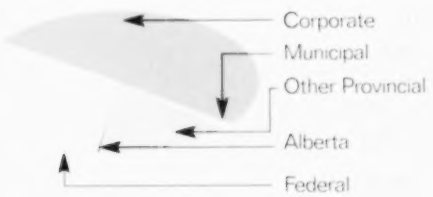
The foreign equity component can be divided into U.S. and Non-North American equity markets. Within the Non-North American segment, mandates are divided into either regional (e.g. Europe) where the manager invests solely within the region, or multi-regional (e.g. Europe, Australia and Far East) where the manager may invest across the different regions. Both active and passive strategies are used, along with value, growth and small cap strategies.

The following chart shows MEPP's asset mix as at December 31, 2002 in comparison with the year before.

	Policy Asset Mix		Actual Asset Mix	
	2002	2001	2002	2001
Fixed Income				
Short-term and Cash	2.0%	2.0%	.7%	1.9%
Long Bond	33.0%	33.0%	33.2%	32.3%
Real Rate of Return Bonds	5.0%	5.0%	5.0%	4.6%
Total	**40.0%**	**40.0%**	**38.9%**	**38.8%**
Equities				
Canadian	25.0%	30.0%	25.6%	31.0%
United States	15.0%	15.0%	15.3%	15.5%
Non-North American	15.0%	15.0%	15.2%	14.7%
Real Estate	5.0%		5.0%	
Total	**60.0%**	**60.0%**	**61.1%**	**61.2%**

MEPP's $540 million in fixed income is invested in bonds, mortgages, real return bonds and cash. The average market yield for MEPP's fixed income securities at year-end was 4.86%. The term to maturity profile of the portfolio was 24% over 20 years, 16% between 11 and 20 years, 28% between six and 10 years, 30% one to five years and 2% under one year.

Managed by IMD, the fixed income portfolio has outperformed its benchmarks in the short-term and over the long-term.



Equities

The MEPP asset allocation policy is designed to capture the historically higher rates of return offered by equity markets. In 2002, the Canadian, U.S. and EAFE markets lost 12.4%, 22.9%, and 16.8% respectively. The Board recognizes the importance of maintaining a steady course through this period of volatile equity markets.

Top 10 Canadian Equity Holdings

December 31, 2002

Company	%
Royal Bank of Canada	6.0%
Bank of Nova Scotia	4.4%
Toronto Dominion Bank	3.7%
BCE Inc	3.7%
Bank of Montreal	3.4%
Encana	3.3%
Sun Life Financial Services	3.2%
Petro Canada	2.8%
Alcan Inc	2.1%
Barrick Gold Corp	2.0%

Top 10 U.S. Equity Holdings

December 31, 2002

Company	%
Microsoft Inc	3.0%
Citigroup Inc	2.7%
General Electric Co	2.4%
Pfizer Inc	2.3%
Exxon Mobil Corp	2.3%
American International Group Inc	1.8%
Wal-Mart Stores	1.5%
Johnson & Johnson	1.4%
Proctor & Gamble	1.3%
Pepsico Inc	1.3%

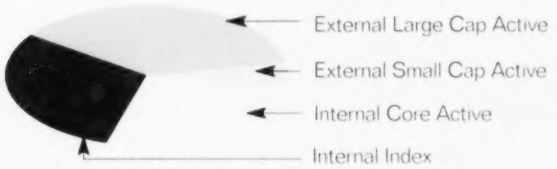
Top 10 Non-North American Equity Holdings
December 31, 2002

Company	%
Vodafone Group	2.9%
Glaxosmithkline	2.5%
Total Fina Elf	2.2%
BP PLC	2.1%
HSBC Holdings	1.9%
ENI	1.8%
UBS AG	1.8%
Novartis AG	1.7%
Nokia Corporation	1.4%
Royal Dutch Petroleum	1.3%

Canadian Equities

MEPP invests in Canadian equities through several strategies of diversification, including passive and active styles. IMD manages both the S&P/TSX Composite Enhanced Index and Core Pooled Funds. External investment advisors manage the large cap active strategy (investing in companies with a large market capitalization and incorporating value, growth and core styles) and the small cap active strategy.

IMD managed Canadian equity core pooled funds underperformed due to an overweight in underperforming growth stocks. In response, the Board has reduced the Plan's exposure to this product and slightly increased exposure to the passive (Index) pooled fund, as well as to externally managed products that have outperformed their respective benchmarks.



Foreign Equities

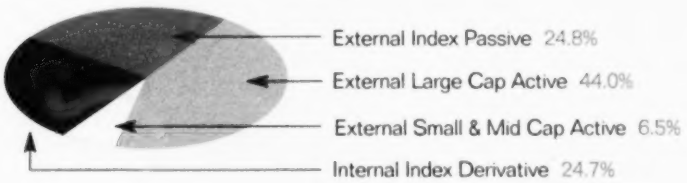
The foreign equity component can be divided into U.S. and Non-North American equity markets. Within the Non-North American segment, mandates are divided into either regional (e.g. Europe) where the manager invests solely within the region, or multi-regional (e.g. Europe, Australia and Far East) where the manager may invest across the different regions. Both active and passive strategies are used, along with value, growth and small cap strategies.

U.S. Equities

MEPP's $212 million in U.S. investments are allocated approximately 50/50 to passive and active strategies. A significant portion is invested in IMD's structured derivative product, which is designed to manage the Plan's exposure to foreign equity relative to the *Income Tax Act* foreign property limit of 30%. The remainder is allocated to active external managers.

MEPP's U.S. equity portfolio lost 22.3% compared to the S&P 500 benchmark loss of 22.9% (both in Canadian dollar terms). The externally managed active strategies and replication index product outperformed the benchmarks over one- and four-year periods, but under-performed over eight years. However, U.S. equity results detracted from the Plan's total fund performance. IMD's derivative product did better than the benchmark, mostly due to investment in small and mid cap companies. Small and mid cap companies outperformed the larger cap segment, and the manager outperformed the Russell 2500 benchmark by a significant margin.

Summary of U.S. Equity Holdings

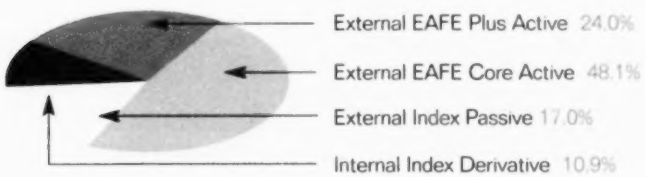

External Index Passive 24.8%
External Large Cap Active 44.0%
External Small & Mid Cap Active 6.5%
Internal Index Derivative 24.7%

Non-North American Equities

The investment of $211 million in Non-North American equities includes exposure to both developed and emerging markets. Twenty-eight per cent is invested in a derivative product to help manage the Plan's exposure to foreign equity relative to the *Income Tax Act*. The remaining exposure is invested by external active managers.

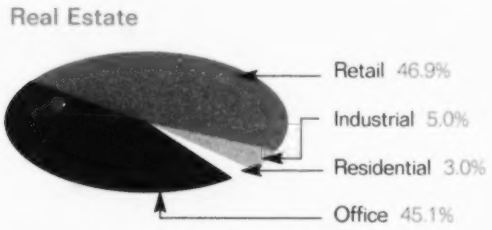
The Plan's Non-North American equity portfolio, including emerging markets, lost 15.7% in 2002. Under-performance by IMD's derivative product was offset by the index strategy and, to a greater extent, by the externally managed active component.

Summary of Non-North American Equity Holdings



Real Estate

The MEP Board requested in 2001 that 5% of equity assets be invested in real estate. This was implemented in 2002. Investment is primarily in retail, office and industrial properties in major Canadian cities. The focus is on quality, with sound locations and tenants.



Statement of Investment Policies and Goals

The MEPP *Statement of Investment Policies and Goals* is reviewed and updated annually by the Board. This document sets out the governing investment principles and guidelines, giving particular consideration to the Plan's provisions, its characteristics and financial obligations. It also defines the management structure and monitoring procedures.

The long-term investment expectation is to achieve an annualized rate of return, net of all expenses, of 4.25 percentage points in excess of inflation, as measured by the Consumer Price Index. This is the Board's expected minimum return based on its asset mix policy and long-term trends in capital markets. The required long-term investment return is therefore 7%, based on a long-term inflation assumption of 2.75%.

Board and Investment Committee Actions to Improve Investment Management

Through the Investment Committee, the Board reviewed the Plan's investment policies in 2001. During the review, there was particular focus on the risk tolerance of the Plan and ways to manage the inherent volatility of the long-term asset mix and on the passive portfolios. A number of alternative asset classes were considered. Based on the advice of the Investment Committee and IMD, the Board determined that reducing Canadian equities and adding real estate would enhance the long-term risk return profile. The Board also decided to reduce MEPP's exposure to the IMD managed core Canadian equity portfolio, which has similar holdings to the index fund. These changes were implemented in 2002.

The Board updated the *Statement of Investment Policies and Goals* effective July 1, 2002. In 2002, a large fund analysis of 2001 investment performance and management costs was conducted to determine the effectiveness of the policy, the investment manager and the risk profile relative to the Plan's liabilities. Study results showed a below average management cost structure and slightly higher risk profile.

In 2002, the Board approved a plan to enhance investment management. This plan, to be implemented in 2003, includes contracting an investment consultant to assist the Investment Committee. This third-party advisor will provide independent analysis of MEPP's investment policy, fund structure and performance, and recommend corrective action, as well as insight into pension industry issues. The objective is to implement more effective risk management strategies, with the expectation of improving the Plan's investment performance.

Service Delivery

In 2002, MEPP's total expenses, including pooled funds management and associated custodial fees, averaged $494 per member, compared to $429 per member in 2001. The higher cost reflects MEPP's contribution to APA's operating costs, increased investment management costs, and MEPP's contribution to funding for the $18.6 million Alberta Pensions Excellence (APEX) project — APA's new pension administration system.

New Administration System

A significant milestone for Alberta public sector plans was achieved on December 2, 2002 when the new pension administration system was implemented for MEPP. The new system will enhance service for the benefit of employers, members, pensioners and pension boards. APA needed to change its systems and technologies to provide more cost-effective and timely pension administration services to Alberta pension plans. The final product is an advanced software application that consolidates 19 different business applications.

In 2001, the MEP Board agreed to fund the development of the APEX business system in conjunction with the LAPP, PSPP and SFPP boards. In 2002, MEPP funded $248,000 (2001: $103,000) in operating costs and $107,000 (2001: $114,000) for capital advances. The capital advances will be amortized by APA over the next three to six years.

Service Performance Measurements

APA's service performance generally improved in 2002 compared to the previous year, and performance targets were met as a result of hiring additional staff and increased training. Performance standards were lowered in the fourth quarter as staff were redeployed for data clean-up, user acceptance testing and training on the new software. Fourth-quarter processing was also slower as a result of the existing system being down for two weeks in November in preparation for the move to the new system. The processing of retirement options was below standard for the year due to manual calculations involved in producing option packages.

By the end of March 2002, 56% of MEPP's Member Annual Statements were sent to employers to distribute to members. This was below the standard of 75% due to the timing of employers' year-end reporting. Virtually all of the statements were distributed before the end of June.

Board Initiatives and Plan Changes

In line with the requirements of the *Employment Pension Plans Act* (EPPA) of Alberta, APA began providing system-generated termination options packages in April 2002 with estimates that give members who leave MEPP before retirement an opportunity to see the dollar values associated with their benefit choices.

More Qualifying Leave and Expanded Definition of Service

The definition of "service" was broadened to include some service with an employer outside of Canada that qualifies as pensionable service. Longer periods of leave became eligible for purchase as pensionable service. Qualifying leave now includes all periods of leave without salary, and all portions of leave with partial salary, up to five years. In addition, up to three years of parenting leave after July 2002 can be purchased.

Communications

In 2002 the new MEPP logo and identity were implemented for the Plan's printed and electronic materials to establish consistency in Plan messages and in their presentation. The Web site was redesigned in the third quarter of 2002 to improve navigation and relevancy of Plan information for stakeholders. The most popular feature is the Pension Estimator. The chart below shows the steady increase in usage of the Web site since its introduction in the fourth quarter of 2001.

MEPP Web Site Visits

Q4 2002	Q3 2002	Q2 2002	Q1 2002	Q4 2001
6,190	3,806	3,382	2,870	2,507

Member Education and Consultations

During 2002, five employee seminars were conducted for 264 Plan members. Based on feedback forms, 73% of the seminar participants were very satisfied with the seminars and 27% were satisfied. These results indicate a slight increase in the level of attendee satisfaction over the 2001 survey.

In addition to the seminars, 74 one-on-one consultations with members were conducted. Feedback from these meetings indicates that 67% were very satisfied and 33% were satisfied, virtually the same as in 2001.

Service Delivery — 2003 Developments

In 2003, the Board will be considering the implementation of reciprocal transfer arrangements with other Alberta public sector pension plans, including the Alberta Teachers' Retirement Fund. If implemented, this would improve portability of pension benefits for members.

APEX Web Services for pension plan employers was launched for the first group of participating MEPP and PSPP employers in early 2003. This delivers self-service capability to employers via the Plan Web site using a secure connection.

Online services for MEPP members is to start in mid-2003. Through a secure connection on the Web site, members will view and print their last Member Annual Statement, view their current personal information on file, and perform online pension estimates and other calculations.

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Contribution Rates

In December 2002, the Government of Alberta announced new MEPP contribution rates effective April 1, 2003. Members will contribute 9.5% of pensionable salary and employers 13.1%. Previously, members contributed 7.75% and employers 10.75%.

Based on advice from MEPP's actuary, the Board had recommended total contributions (member plus employer) be 22.6% of pensionable salary, which was 4.1 percentage points above the existing total of 18.5%. The Government of Alberta accepted the recommendation and decided that the split between employers and members would continue at the ratio of 58% contributed by employers and 42% by members.

The Board's recommendation was based on the actuarial valuation as at December 31, 2001, which was filed with regulatory authorities for funding purposes. On a going concern basis, the valuation indicated Plan liabilities exceeded assets by $49.2 million (an unfunded liability). The previous actuarial valuation, conducted as at December 31, 1999, showed an excess of assets over liabilities (a surplus) of $46.0 million.

Amortizing the post-1991 unfunded liability of $49.2 million over 15 years, the maximum time allowed in the *Employment Pensions Plans Act* (EPPA), was projected to cost 2.1% of pensionable payroll. In addition, the increase in ongoing Plan costs known as "current service costs" was determined to be 2% of pensionable payroll. Combined, these increases are 4.1%, which is the increase in total contribution rates effective April 2003.

The valuation showed the unfunded liability and the increase in current service costs were due to changes in demographics and experience, as well as investment losses.

The table below illustrates the financial position of the Plan based on the actuarial valuations prepared as at December 31, 1999, and December 31, 2001. The table shows how components of the actuary's estimate of an actuarial surplus of $46 million at the end of 1999 compare to those in the actuary's estimate of an actuarial deficit of $49.2 million at the end of 2001.

	As at Dec. 31, 2001 ($ millions)	As at Dec. 31, 1999 ($ millions)
Assets*		
Market value	$ 1,480.0	$ 1,444.4
Asset smoothing adjustment	58.4	(86.7)
Payments due	1.7	1.0
Total	$ 1,540.1	$ 1,358.7
Liabilities		
Active members	$ 702.2	$ 590.1
Pension in payment	665.3	508.3
Deferred vested/hold-on deposit	221.8	214.3
Total	$ 1,589.3	$ 1,312.7
Surplus (Unfunded Liability)	**$ (49.2)**	**$ 46.0**

* For funding purposes, the actuary applied a smoothing adjustment to assets. Note that the MEP Board values Plan assets by market value without smoothing.

Changes in Assumptions

The assumed long-term rate of return required to fund the Plan was 7% in the 2001 valuation, down from 7.25% in the previous valuation. A 2.75% inflation rate was determined, which was lower than the 3% rate used previously. As a result, the assumed real rate of return (return minus inflation) continues to be 4.25%.

The assumed rates of retirement of Plan members were increased to more accurately reflect the Plan's actual trend toward early retirement, at a younger age than previously assumed.

Extrapolation as at December 31, 2002

To meet the goal of producing the *2002 MEPP Annual Report* by the end of March 2003, the Board directed its actuary to extrapolate financial results from the 2001 valuation to December 31, 2002. Financial statements in this report are based on the extrapolation.

Plan Funding — 2003 Developments

Due to the volatility in the financial markets and the associated funding challenges, the Board has commissioned an actuarial valuation as at December 31, 2002 for information purposes. This is in keeping with the Board's new strategy of conducting actuarial valuations annually during periods of volatility.

The Board is required to file its next actuarial valuation for funding purposes based on a valuation no later than as at December 31, 2004. A valuation can be filed earlier if the Board deems it prudent. If the next actuarial valuation for information purposes identifies an increased funding deficiency, the Board will evaluate alternatives for remedying the deficiency. As an ongoing objective, the Board strives to keep contribution rates stable, while at the same time ensuring promised benefits are available to members.

In line with standard business practice, the Board will review its actuarial services in 2003.

Risk Management

Currently, the primary risk to the Plan is for market volatility and low investment returns to continue and cause liabilities to exceed assets such that the deficiency could not be eliminated through contribution increases. The Board endeavours to mitigate the risk of low investment returns and market volatility through a prudent investment strategy.

From an operational perspective, a major risk in recent years for MEPP has been APA's existing pension administration system becoming obsolete and beyond the capability of suppliers to service. This risk is being overcome through the APEX project and the development of a new system.

The new system, Web functions and related business cases will increase dependence on the security of data and infrastructure. Mitigating this risk, APA has increased its information technology infrastructure and is using a blend of internal and contracted resources. An information management initiative for document management, imaging and workflow commenced in 2002.

Governance

MEP Board Mandate

The Minister of Finance of the Province of Alberta is the trustee and administrator of the Management Employees Pension Plan (MEPP) and holds all assets of the Plan in trust for the sole purposes of providing benefits pursuant to the Plan and meeting Plan costs.

The *Public Sector Pension Plans Act* sets out the main objectives of the MEP Board with respect to funding, administration, investments and amending the Plan. A summary description of Plan provisions is in Note 1 of the Financial Statements.

The MEP Board oversees the management of the Plan and acts in an advisory capacity to the Plan's Trustee, the Minister of Finance. The Board:

- May advise the Minister on any pension matter that is of interest to persons receiving or entitled in the future to receive benefits under the Plan;
- Must be consulted before Plan rule changes can be put in place;
- Arranges valuations and recommends overall contribution rates;
- Sets general policy guidelines for the investment and management of the Plan's assets;
- Reviews investment performance;
- Sets general policy guidelines on the administration of the Plan;
- Reviews administration decisions as delegated by the Minister; and
- May advise the Minister on the Public Service Management (Closed Membership) Pension Plan (Closed Plan).

Board Chair, Vice Chair and Members

- The Board has seven members, comprised of three employee nominees, three persons nominated by Government and one non-voting member nominated by the Public Service Commissioner's Office.
- The offices of Board Chair and Vice Chair rotate every two years between Government and employee nominees.

Policies and Procedures

The Board has written policies and procedures for governance, funding, benefits, communications, investment and reporting.

In addition to the MEPP *Members' Handbook*, Information Sheets and other reference material are available on the Plan Web site at www.mepp.ca.

Investment Committee

Established by the Board in 2000, the role of the Investment Committee is to:

- Address investment objectives of the Plan;
- Identify and assess risk tolerance;
- Develop constraints and guidelines on investment, asset ranges, suitable classes of investments and voting proxies;
- Select benchmarks to assist in analyzing investment performance of the Plan Fund; and
- Review IMD's performance.

Communications Committee

Established in 2001, the Communications Committee is responsible for developing and reviewing the Board's communications plan on an annual basis and making recommendations to the Board.

Governance Outlook

Governance was a major focus for the Board in 2002, as it added governance initiatives to its 2003-2005 Business Plan and continues to work towards improving governance of the Plan in the interest of all stakeholders. The Board has agreed with the Minister of Finance to jointly conduct a review of governance with representatives of the Minister in 2003. A consultant has been engaged to assist in the preparation of recommendations resulting from the review.

Management's Responsibility for Financial Reporting

The Management Employees Pension Plan financial statements and information in the 2002 Annual Report are the responsibility of the Minister of Finance. These responsibilities are undertaken on behalf of the Minister of Finance by the Investment Management Division (IMD) of Alberta Revenue and Alberta Pensions Administration (APA) Corporation. The financial statements and information in the annual report have been approved by the Board.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgements. Financial information presented in the *2002 Annual Report* that relates to the operations and financial position of the Management Employees Pension Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, the Minister of Finance, APA Corporation and IMD maintain a system of internal accounting controls comprising written policies, standards and procedures, and a formal authorization structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow him to report on the fairness of the financial statements prepared by management.

Peter Kruselnicki, P.Eng.
Deputy Minister of Finance

March 27, 2003

David Smith, CA
Chief Executive Officer
Alberta Pensions Administration Corporation

March 27, 2003

Actuary's Opinion

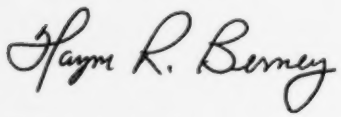
Aon Consulting Inc. was retained by the Management Employees Pension Board to perform actuarial valuations of the assets and liabilities of the Management Employees Pension Plan as at December 31, 2001. Aon Consulting Inc. was further retained to prepare extrapolations of the valuation results to December 31, 2002, for inclusion in the Annual Report with respect to the Management Employees Pension Plan for the year ended December 31, 2002.

The valuation and extrapolation of the Plan's actuarial assets and liabilities were based on:

- Membership data provided by the Alberta Pensions Administration Corporation as at December 31, 2001, and asset data provided by APA as at December 31, 2001 and December 31, 2002;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic), which were developed by management and Aon Consulting Inc. and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

I have tested the data for reasonableness and consistency with prior valuations and in my opinion the data is sufficient and reliable for the purposes of the valuation and the extrapolation. I also believe that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. My opinions have been given, and my valuation and extrapolation have been performed in accordance with accepted actuarial practice.



Wayne R. Berney
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

February 20, 2003

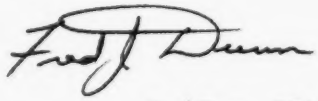
Auditor's Report

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Management Employees Pension Plan (the Plan) as at December 31, 2002 and the Statements of Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Accrued Benefits of the Plan as at December 31, 2002, and the Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.



Edmonton, Alberta
March 11, 2003

Fred Dunn, FCA
Auditor General

2002

Annual Report

Financial Statements

Financial Statements

Statement of Net Assets Available for Benefits and Accrued Benefits

As at December 31, 2002
($ thousands)

	2002	2001
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,386,573	$ 1,475,297
Accrued investment income and accounts receivable	375	285
Contributions receivable (Note 6)	4,341	4,484
	1,391,289	1,480,066
Liabilities		
Accounts payable	708	25
Net assets available for benefits	1,390,581	1,480,041
Accrued benefits (Note 9)		
Actuarial value of accrued benefits	1,692,549	1,474,703
(Deficiency) surplus	**$ (301,968)**	**$ 5,338**

See accompanying notes and schedules.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2002

($ thousands)

	2002	2001
Increase in assets		
Contributions (Note 1(b))		
Current and optional service		
Employees	$ 20,241	$ 17,946
Employers	25,989	24,415
Transfers from other plans	243	781
	46,473	43,142
Decrease in assets		
Net investment loss (Note 7)	77,732	66,405
Pension benefits	54,714	48,476
Refunds to members	1,603	1,247
Transfers to other plans	536	1,464
Plan expenses (Note 8)	1,348	912
	135,933	118,504
Decrease in net assets	(89,460)	(75,362)
Net assets available for benefits at beginning of year	1,480,041	1,555,403
Net assets available for benefits at end of year	**$ 1,390,581**	**$ 1,480,041**

See accompanying notes and schedules.

Statement of Changes in Accrued Benefits

For the year ended December 31, 2002

($ thousands)

	2002	2001
Increase in accrued benefits		
Interest accrued on benefits	$ 112,587	$ 100,023
Changes in actuarial assumptions (Note 9)	71,896	-
Benefits earned	47,500	40,541
Net experience losses (Note 9)	42,716	-
	274,699	140,564
Decrease in accrued benefits		
Benefits paid and transfers	56,853	50,406
Net increase in accrued benefits	217,846	90,158
Accrued benefits at beginning of year	1,474,703	1,384,545
Accrued benefits at end of year (Note 9)	**$ 1,692,549**	**$ 1,474,703**

See accompanying notes and schedules.

Statement of Changes in Deficiency

For the year ended December 31, 2002

($ thousands)

	2002	2001
Surplus at beginning of year	$ 5,338	$ 170,858
Decrease in net assets available for benefits	(89,460)	(75,362)
Net increase in accrued benefits	(217,846)	(90,158)
(Deficiency) surplus at end of year	**$ (301,968)**	**$ 5,338**

See accompanying notes and schedules.

Financial Statements

Statement of Net Assets Available for Benefits and Accrued Benefits

	2002	2001
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,386,573	$ 1,475,297
Accrued investment income and accounts receivable	375	285
Contributions receivable (Note 6)	4,341	4,484
	1,391,289	1,480,066
Liabilities		
Accounts payable	708	25
Net assets available for benefits	1,390,581	1,480,041
Accrued benefits (Note 9)		
Actuarial value of accrued benefits	1,692,549	1,474,703
(Deficiency) surplus	**$ (301,968)**	**$ 5,338**

Statement of Changes in Net Assets Available for Benefits

	2002	2001
Increase in assets		
Contributions (Note 1(b))		
Current and optional service		
Employees	$ 20,241	$ 17,946
Employers	25,989	24,415
Transfers from other plans	243	781
	46,473	43,142
Decrease in assets		
Net investment loss (Note 7)	77,732	66,405
Pension benefits	54,714	48,476
Refunds to members	1,603	1,247
Transfers to other plans	536	1,464
Plan expenses (Note 8)	1,348	912
	135,933	118,504
Decrease in net assets	(89,460)	(75,362)
Net assets available for benefits at beginning of year	1,480,041	1,555,403
Net assets available for benefits at end of year	$ 1,390,581	$ 1,480,041

	2002	2001
Increase in accrued benefits		
Interest accrued on benefits	$ 112,587	$ 100,023
Changes in actuarial assumptions (Note 9)	71,896	-
Benefits earned	47,500	40,541
Net experience losses (Note 9)	42,716	-
	274,699	140,564
Decrease in accrued benefits		
Benefits paid and transfers	56,853	50,406
Net increase in accrued benefits	217,846	90,158
Accrued benefits at beginning of year	1,474,703	1,384,545
Accrued benefits at end of year (Note 9)	**$ 1,692,549**	**$ 1,474,703**

	2002	2001
Surplus at beginning of year	$ 5,338	$ 170,858
Decrease in net assets available for benefits	(89,460)	(75,362)
Net increase in accrued benefits	(217,846)	(90,158)
(Deficiency) surplus at end of year	$ (301,968)	$ 5,338

Notes to the Financial Statements (December 31, 2002)

Note 1 Summary Description of the Plan

The following description of the Management Employees Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 367/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date continue as members of MEPP.

(b) Funding Policy

Current service costs are funded by employee and employer contributions at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. There were no changes in contribution rates in 2002. The rates in effect in 2002 were 7.75% of pensionable salary for employees and 10.75% for employers. The rates were reviewed in 2002 by the Minister of Finance and are to be reviewed again at least once every three years based on recommendations of the Plan's actuary. As a result of this review, effective April 1, 2003, the rates will be increased to 9.5% of pensionable salary for employees and 13.1% for employers.

(c) Retirement Benefits

The Plan provides a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings after December 31, 1991 are capped at $86,111 per year by the federal *Income Tax Act*. The maximum service allowable under the Plan is 35 years. Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and years of service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totaly disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving pension partner may choose to receive a survivor pension. For a beneficiary other than a pension partner, or where service is less than five years, a lump sum must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a refund or a deferred pension. A refund is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. Refunds are subject to the Plan's lock-in provisions.

(g) Guarantee

The Province of Alberta guarantees payment of all benefits arising from service before 1994.

(h) Optional Service and Transfers

All optional service purchases are to be cost-neutral to the Plan. Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(j) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

The Plan's percentage ownership in pooled investment funds at December 31 was as follows:

	2002	2001
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	4.8	5.0
Canadian Pooled Equities Fund	6.9	8.4
Domestic Passive Equity Pooled Fund	4.7	7.2
EAFE Structured Equity Pooled Fund	4.8	2.3
Private Equity Pool	7.6	7.6
Private Equity Pool 2002	17.5	-
Private Mortgage Pool	5.7	6.0
Private Real Estate Pool	3.6	-
U.S. Passive Equity Pooled Fund	3.6	4.5
United States Pooled Equities Fund	6.3	6.3
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	5.4	3.4
Canadian Small Cap Equity Pool	4.5	3.8
EAFE Core Equity Pool	3.9	4.3
EAFE Passive Equity Pool	5.4	4.9
EAFE Plus Equity Pool	3.8	4.2
U.S. Large Cap Equity Pool	4.9	4.3
U.S. Mid/Small Cap Equity Pool	3.2	4.7
U.S. Passive Equity Pooled Fund	4.4	4.6

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

(i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Revenue.

(iii) The fair value of private equities is estimated by Alberta Revenue.

(iv) Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

(v) The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment loss.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

The Plan's percentage ownership in pooled investment funds at December 31 was as follows:

	2002	2001
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	4.8	5.0
Canadian Pooled Equities Fund	6.9	8.4
Domestic Passive Equity Pooled Fund	4.7	7.2
EAFE Structured Equity Pooled Fund	4.8	2.3
Private Equity Pool	7.6	7.6
Private Equity Pool 2002	17.5	-
Private Mortgage Pool	5.7	6.0
Private Real Estate Pool	3.6	-
U.S. Passive Equity Pooled Fund	3.6	4.5
United States Pooled Equities Fund	6.3	6.3
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	5.4	3.4
Canadian Small Cap Equity Pool	4.5	3.8
EAFE Core Equity Pool	3.9	4.3
EAFE Passive Equity Pool	5.4	4.9
EAFE Plus Equity Pool	3.8	4.2
U.S. Large Cap Equity Pool	4.9	4.3
U.S. Mid/Small Cap Equity Pool	3.2	4.7
U.S. Passive Equity Pooled Fund	4.4	4.6

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Revenue.

The fair value of private equities is estimated by Alberta Revenue.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment loss.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in net investment loss. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

	2002		2001	
	($ thousands)	%	($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 9,889	0.7	$ 27,737	1.9
Canadian Dollar Public Bond Pool (b)	405,698	29.3	421,228	28.6
Real rate of return bonds (c)	69,627	5.0	68,160	4.6
Private Mortgage Pool (d)	54,599	3.9	55,129	3.7
Total fixed income securities	539,813	38.9	572,254	38.8
Canadian Equities (Schedule B)				
External Managers				
Canadian Large Cap Equity Pool (e)	132,203	9.6	59,806	4.0
Canadian Small Cap Equity Pool (e)	20,503	1.5	16,061	1.1
Domestic Passive Equity Pooled Fund (f)	106,634	7.7	194,028	13.2
Canadian Pooled Equities Fund (g)	91,714	6.6	182,588	12.4
Private Equity Pool (h)	2,632	0.2	4,630	0.3
Private Equity Pool 2002	522	-	-	-
	354,208	25.6	457,113	31.0
United States Equities (Schedule C)				
External Managers				
U.S. Large Cap Equity Pool (i)	93,373	6.7	95,511	6.5
U.S. Passive Equity Pool (j)	52,573	3.8	65,141	4.4
U.S. Mid/Small Cap Equity Pool (i)	13,839	1.0	15,071	1.0
U.S. Passive Equity Pooled Fund (j)	52,361	3.8	53,734	3.6
United States Pooled Equities Fund	47	-	210	-
	212,193	15.3	229,667	15.5
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (k)	101,308	7.3	110,027	7.5
EAFE Plus Equity Pool (k)	50,460	3.6	54,254	3.7
EAFE Passive Equity Pool (l)	35,825	2.6	42,876	2.9
EAFE Structured Equity Pooled Fund (l)	22,986	1.7	9,106	0.6
	210,579	15.2	216,263	14.7
Equities in Real Estate				
Private Real Estate Pool (m)	69,780	5.0		
Total equities	846,760	61.1	903,043	61.2
Total investments	**$ 1,386,573**	**100.0**	**$1,475,297**	**100.0**

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)
(e) Valuation of Derivative Contracts (continued)

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in net investment loss. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

Note 3 Investments (Schedules A to D)

	2002		2001	
	($ thousands)	%	($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 9,889	0.7	$ 27,737	1.9
Canadian Dollar Public Bond Pool (b)	405,698	29.3	421,228	28.6
Real rate of return bonds (c)	69,627	5.0	68,160	4.6
Private Mortgage Pool (d)	54,599	3.9	55,129	3.7
Total fixed income securities	539,813	38.9	572,254	38.8
Canadian Equities (Schedule B)				
External Managers				
Canadian Large Cap Equity Pool (e)	132,203	9.6	59,806	4.0
Canadian Small Cap Equity Pool (e)	20,503	1.5	16,061	1.1
Domestic Passive Equity Pooled Fund (f)	106,634	7.7	194,028	13.2
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Private Equity Pool 2002	522	-	-	-
	354,208	25.6	457,113	31.0
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United States Pooled Equities Fund	47	-	210	-
	212,193	15.3	229,667	15.5
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (k)	101,308	7.3	110,027	7.5
EAFE Plus Equity Pool (k)	50,460	3.6	54,254	3.7
EAFE Passive Equity Pool (l)	35,825	2.6	42,876	2.9
EAFE Structured Equity Pooled Fund (l)	22,986	1.7	9,106	0.6
	210,579	15.2	216,263	14.7
Equities in Real Estate				
Private Real Estate Pool (m)	69,780	5.0	-	-
Total equities	846,760	61.1	903,043	61.2
Total investments	$ 1,386,573	100.0	$1,475,297	100.0

Note 3 Investments (Schedules A to D) (continued)

(a) The Consolidated Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt-related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(e) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing volatility through multiple manager investment style and unique market capitalization focus.

(f) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(g) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.

(h) The Private Equity Pool is in the process of orderly liquidation.

(i) The External Managers U.S. Large Cap Equity Pool consists of multiple portfolios and the External Managers U.S. Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the U.S. large cap or mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the Standard & Poor's S&P 500 Index for the U.S. Large Cap Pool and the Russell 2500 Index for the U.S. Mid/Small Cap Pool over a four-year period while reducing volatility through multiple manager investment style and unique market capitalization focus.

(j) The External Managers U.S. Passive Equity Pool and the U.S. Passive Equity Pooled Fund consist of single portfolios of publicly traded United States equities similar in weights to the S&P 500 Index. The External Managers U.S. Passive Equity Pool is managed passively by an external manager with expertise in the U.S. equity market and the U.S. Passive Equity Pooled Fund is managed internally. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index over a four-year period. To enhance investment returns with no substantial increase in risks, the U.S. Passive Equity Pooled Fund also invests in futures, swaps and other structured investments.

Note 3 Investments (Schedules A to D) (continued)

(k) The External Managers, EAFE (Europe, Australia and Far East) Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each Core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) EAFE Index asset mix by country. The Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

(l) The External Managers EAFE Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE Index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities similar in weights to the MSCI EAFE Index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(m) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

Note 4 Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a benchmark policy asset mix of 40% fixed income instruments and 60% equities. Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5 Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed-to-fixed and fixed-to-floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Note 5 Derivative Contracts (continued)

Equity index contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contacts held by pooled funds at December 31, 2002:

	2002					2001	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
	%			($ thousands)		($ thousands)	
Equity index swap contracts	74	26	-	$ 127,642	$ 2,330	$ 144,256	$ 5,553
Bond index swap contracts	100	-	-	7,380	64	11,721	6
Interest rate swap contracts	42	51	7	53,492	(2,845)	41,647	(1,834)
Forward foreign exchange contracts	100	-	-	39,817	184	38,597	81
Equity index futures contracts	-	-	-	-	-	3,764	123
				228,331	$ (267)	239,985	$ 3,929
Cross-currency interest rate swap contracts (b)	32	24	44	62,568		100,544	
				$ 290,899		$ 340,529	

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

(b) Cross-currency interest rate swaps are valued as a package, which includes underlying securities. As at December 31, 2002 the combined value of cross-currency interest rate swaps and underlying securities amounted to $63,333,000 (2001 $101,151,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

Note 6 Contributions Receivable

	2002	2001
	($ thousands)	
Employees	$ 1,818	$ 1,856
Employers	2,523	2,628
	$ 4,341	$ 4,484

Equity index contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contacts held by pooled funds at December 31, 2002:

	2002					2001	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount ($ thousands)	Net Fair Value (a)	Notional Amount ($ thousands)	Net Fair Value (a)
	%						
Equity index swap contracts	74	26	-	$ 127,642	$ 2,330	$ 144,256	$ 5,553
Bond index swap contracts	100	-	-	7,380	64	11,721	6
Interest rate swap contracts	42	51	7	53,492	(2,845)	41,647	(1,834)
Forward foreign exchange contracts	100	-	-	39,817	184	38,597	81
Equity index futures contracts	-	-	-	-	-	3,764	123
				228,331	$ (267)	239,985	$ 3,929
Cross-currency interest rate swap contracts (b)	32	24	44	62,568		100,544	
				$ 290,899		$ 340,529	

The method of determining fair value of derivative contracts is described in Note 2 (e).

Cross-currency interest rate swaps are valued as a package, which includes underlying securities. As at December 31, 2002 the combined value of cross-currency interest rate swaps and underlying securities amounted to $63,333,000 (2001 $101,151,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

	2002	2001
	($ thousands)	
Employees	$ 1,818	$ 1,856
Employers	2,523	2,628
	$ 4,341	$ 4,484

Note 7 Net Investment Loss

Net investment loss is comprised of the following:

	2002	2001
	($ thousands)	
Interest income	$ 38,275	$ 39,431
Dividend income	12,019	17,739
Real Estate income	2,836	-
Net realized and unrealized losses on investments, including those arising from derivative transactions	(129,533)	(122,340)
Securities lending income	296	287
Pooled funds management and associated custodial fees	(1,625)	(1,522)
	$ (77,732)	$ (66,405)

The following is a summary of the Plan's proportionate share of net investment income (loss) by type of investments:

	2002	2001
	($ thousands)	
Deposits and Fixed Income Securities	$ 53,479	$ 38,722
Canadian Equities	(50,173)	(48,029)
Foreign Equities		
United States	(51,085)	(15,171)
Non-North American	(32,841)	(41,927)
Real Estate	2,888	-
	$ (77,732)	$ (66,405)

The following is a summary of the investment performance results attained by the Plan:

	One-Year Return		Four-Year Compound Annualized Return
	2002	2001	
Time-weighted rates of return			
Overall Plan	-5.3%	-4.4%	3.3%
Policy Benchmark	-5.6%	-4.1%	2.4%

Note 8 Plan Expenses

	2002	2001
	($ thousands)	
General administration costs	$ 1,105	$ 686
Investment management costs	243	226
	$ 1,348	$ 912

General administration costs increased in 2002 as a result of increases in operating, Plan specific, business process re-engineering, and Board costs. General administration costs include operating cost $593,000 (2001 $437,000), Plan specific cost $213,000 (2001 $135,000), business process re-engineering cost (APEX) $248,000 (2001 $103,000), and Board cost $51,000 (2001 $11,000).

General administration and investment management costs were charged to the Plan on a cost-recovery basis.

Pooled funds management and associated custodial fees totalling $1,625,000 (2001 $1,522,000) (see Note 7), which have been included in the calculation of net investment loss of the pooled funds, are excluded from plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to $494 per member (2001 $429 per member) and 0.214% (2001 0.164%) of assets under administration.

Note 9 Accrued Benefits

a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2001 by Aon Consulting Inc. and was extrapolated to December 31, 2002. The 2001 valuation was completed after the financial statements of the Plan for 2001 were released. As a result, the differences between the actuarial valuation and extrapolation results for 2001 are accounted for as changes in actuarial assumptions and net experience and losses in 2002.

The 2001 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Management Employees Pension Board approved this best estimate.

The major assumptions used were:

	2002 Extrapolation %	2001 Valuation %
Asset real rate of return	4.25	4.25
Inflation	2.75	2.75
Investment rate of return	7.0	7.0
Salary escalation rate*	3.25	3.25
*In addition to merit and promotion		

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

Notes to the Financial Statements (continued)

Note 3 Net Investment Loss

Net investment loss is comprised of the following:

	2002	2001
	($ thousands)	
Interest income	$ 38,275	$ 39,431
Dividend income	12,019	17,739
Real Estate income	2,836	
Net realized and unrealized losses on investments, including those arising from derivative transactions	(129,533)	(122,340)
Securities lending income	296	287
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	$ (77,732)	$ (66,405)

The following is a summary of the Plan's proportionate share of net investment income (loss) by type of investments:

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	($ thousands)	
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Foreign Equities		
United States	(51,085)	(15,171)
Non-North American	(32,841)	(41,927)
Real Estate	2,888	
	$ (77,732)	$ (66,405)

The following is a summary of the investment performance results attained by the Plan:

	One-Year Return		Four-Year Compound Annualized Return
	2002	2001	
Time-weighted rates of return			
Overall Plan	-5.3%	-4.4%	3.3%
Policy Benchmark	-5.6%	-4.1%	2.4%

Note 8: Plan Expenses

	2002	2001
	($ thousands)	
General administration costs	$ 1,105	$ 686
Investment management costs	243	226
	$ 1,348	$ 912

General administration costs increased in 2002 as a result of increases in operating, Plan specific, business process re-engineering, and Board costs. General administration costs include operating cost $593,000 (2001 $437,000), Plan specific cost $213,000 (2001 $135,000), business process re-engineering cost (APEX) $248,000 (2001 $103,000), and Board cost $51,000 (2001 $11,000).

General administration and investment management costs were charged to the Plan on a cost-recovery basis.

Pooled funds management and associated custodial fees totalling $1,625,000 (2001 $1,522,000) (see Note 7), which have been included in the calculation of net investment loss of the pooled funds, are excluded from plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to $494 per member (2001 $429 per member) and 0.214% (2001 0.164%) of assets under administration.

Note 9: Accrued Benefits

a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2001 by Aon Consulting Inc. and was extrapolated to December 31, 2002. The 2001 valuation was completed after the financial statements of the Plan for 2001 were released. As a result, the differences between the actuarial valuation and extrapolation results for 2001 are accounted for as changes in actuarial assumptions and net experience and losses in 2002.

The 2001 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Management Employees Pension Board approved this best estimate.

The major assumptions used were:

	2002 Extrapolation %	2001 Valuation %
Asset real rate of return	4.25	4.25
Inflation	2.75	2.75
Investment rate of return	7.0	7.0
Salary escalation rate*	3.25	3.25

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

Note 9 Accrued Benefits (continued)
(b) Sensitivity of Changes in Major Assumptions (continued)

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2002:

		Sensitivities	
	Changes in Assumptions %	Increase in Plan Deficiency ($ millions)	Increase in Current Service Cost as a % of Pensionable Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 126	1.5%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	31	1.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	251	4.1%

*The current service cost as a % of pensionable earnings as determined by the December 31, 2001 valuation is 20.5%.

Note 10 Budget Information

The accrued benefits are based on the Management Employees Pension Board's best estimates of future events. Differences between actual results and the Board's expectations are disclosed as net experience losses in the Statement of Changes in Accrued Benefits. Accordingly, a budget is not included in these financial statements.

Note 11 Comparative Figures

Comparative figures have been restated to be consistent with the 2002 presentation.

Note 12 Responsibility for Financial Statements

These financial statements were prepared by management and approved by the Management Employees Pension Board.

Schedule A
Schedule of Investments in Fixed Income Securities

December 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 11,992	$ 31,645
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	188,486	176,892
Provincial		
Alberta, direct and guaranteed	956	1,473
Other, direct and guaranteed	80,988	97,768
Municipal	7,912	7,267
Corporate	171,147	145,583
Private		
Corporate	93,767	106,958
	523,256	535,941
Receivable from sale of investments and accrued investment income	4,726	5,088
Liabilities for investment purchases	(161)	(420)
	4,565	4,668
	$ 539,813	$ 572,254

(a) Fixed income securities held as at December 31, 2002 had an average effective market yield of 4.86% per annum (2001 5.26% per annum). The following term structure of these securities as at December 31, 2002, was based on principal amount:

	2002	2001
	%	%
Under 1 year	2	5
1 to 5 years	30	29
6 to 10 years	28	26
11 to 20 years	16	16
Over 20 years	24	24
	100	100

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2002:

	Changes in Assumptions %	Sensitivities: Increase in Plan Deficiency ($ millions)	Sensitivities: Increase in Current Service Cost as a % of Pensionable Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 126	1.5%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	31	1.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	251	4.1%

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Schedule A
Schedule of Investments in Fixed Income Securities

December 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 11,992	$ 31,645
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	168,486	176,892
Provincial		
Alberta, direct and guaranteed	956	1,473
Other, direct and guaranteed	80,988	97,768
Municipal	7,912	7,267
Corporate	171,147	145,583
Private		
Corporate	93,767	106,958
	523,256	535,941
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	2002	2001
	%	%
Under 1 year	2	5
1 to 5 years	30	29
6 to 10 years	28	26
11 to 20 years	16	16
Over 20 years	24	24
	100	100

Schedule B
Schedule of Investments in Canadian Equities

December 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 3,864	$ 7,393
Public Equities (a) (b)		
Consumer discretionary	28,416	37,249
Consumer staples	14,457	14,751
Energy	52,365	51,564
Financials	104,344	125,487
Health care	10,687	19,292
Industrials	29,745	44,838
Information technology	17,182	49,572
Materials	56,451	58,443
Telecommunications services	17,539	21,939
Utilities	11,099	13,711
	342,285	436,846
Passive Index	2,308	6,320
	344,593	443,166
Private Equities	2,785	3,238
Receivable from sale of investments and accrued investment income	4,026	6,034
Liabilities for investment purchases	(1,060)	(2,718)
	2,966	3,316
	$ 354,208	$ 457,113

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totaling $52,423,000 (2001 $85,743,000), which were used as underlying securities to support Canadian equity index swaps contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

Schedule C
Schedule of Investments in United States Equities

December 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 1,380	$ 1,005
Public Equities (a) (b)		
Consumer discretionary	27,883	29,298
Consumer staples	19,091	17,572
Energy	12,881	14,532
Financials	43,951	41,346
Health care	32,300	33,592
Industrials	26,194	27,710
Information technology	29,712	39,448
Materials	6,238	6,253
Telecommunication services	7,642	11,172
Utilities	5,505	6,374
	211,397	227,297
Receivable from sale of investments and accrued investment income	913	1,830
Liabilities for investment purchases	(1,497)	(465)
	(584)	1,365
	$ 212,193	$ 229,667

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $52,563,000 (2001 $52,065,000), which were used as underlying securities to support U.S. equity index swaps contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

Schedule B
Schedule of Investments in Canadian Equities

December 31, 2002
($ thousands)

	Plan's Share 2002	2001
Deposits and short-term securities	$ 3,864	$ 7,393
Public Equities (a) (b)		
Consumer discretionary	28,416	37,249
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Private Equities	2,785	3,238
Receivable from sale of investments and accrued investment income	4,026	6,034
Liabilities for investment purchases	(1,060)	(2,718)
	2,966	3,316
	$ 354,208	$ 457,113

The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totaling $52,423,000 (2001 $85,743,000), which were used as underlying securities to support Canadian equity index swaps contracts.

The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

Schedule C
Schedule of Investments in United States Equities

December 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 1,380	$ 1,005
Public Equities (a) (b)		
Consumer discretionary	27,883	29,298
Consumer staples	19,091	17,572
Energy	12,881	14,532
Financials	43,951	41,346
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Information technology	29,712	39,448
Materials	6,238	6,253
Telecommunication services	7,642	11,172
Utilities	5,505	6,374
	211,397	227,297
Receivable from sale of investments and accrued investment income	913	1,830
Liabilities for investment purchases	(1,497)	(465)
	(584)	1,365
	$ 212,193	$ 229,667

The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $52,563,000 (2001 $52,065,000), which were used as underlying securities to support U.S. equity index swaps contracts.

The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

Schedule D
Schedule of Investments in Non-North American Equities

December 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 5,019	$ 5,574
Public Equities (a)		
Country		
United Kingdom	56,042	52,965
Japan	32,551	35,019
Switzerland	18,719	15,200
France	17,976	23,914
Netherlands	13,324	15,631
Germany	11,927	14,572
Australia	9,743	8,049
Italy	8,336	7,449
Hong Kong	5,741	7,911
Spain	4,475	6,449
Finland	4,071	3,849
Sweden	3,809	4,032
Other	19,674	14,989
	206,388	210,029
Receivable from sale of investments and accrued investment income	1,080	2,508
Liabilities for investment purchases	(1,908)	(1,848)
	(828)	660
	$ 210,579	**$ 216,263**

The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $22,656,000 (2001 $8,711,000), which were used as underlying securities to support Non-North American equity index swaps contracts.

Schedule D
Schedule of Investments in Non-North American Equities

December 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 5,019	$ 5,574
Public Equities (a)		
Country		
United Kingdom	56,042	52,965
Japan	32,551	35,019
Switzerland	18,719	15,200
France	17,976	23,914
Netherlands	13,324	15,631
Germany	11,927	14,572
Australia	9,743	8,049
Italy	8,336	7,449
Hong Kong	5,741	7,911
Spain	4,475	6,449
Finland	4,071	3,849
Sweden	3,809	4,032
Other	19,674	14,989
	206,388	210,029
Receivable from sale of investments and accrued investment income	1,080	2,508
Liabilities for investment purchases	(1,908)	(1,848)
	(828)	660
	$ 210,579	$ 216,263

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $22,656,000 (2001 $8,711,000), which were used as underlying securities to support Non-North American equity index swaps contracts.

2002 Annual Report

Glossary

Glossary

Terms

Active Management Strategies
These strategies have two forms — security selection or market timing. Security selection is the buying and selling of securities to earn a return above a market index such as the S&P/TSX Composite Index for Canadian stocks. Market timing is based on shifting asset class weights to earn a return above that available from maintaining the asset class exposure of the policy asset mix.

Active Member
A member who is making contributions or, if not making contributions, is on non-contributory leave for up to eight years (five years regular leave, three years parental leave), on approved disability leave, or at the point of maximum pensionable service (35 years).

Asset Mix
The percentage of a plan's assets allocated to the major asset classes (for example, 40% fixed income and 60% equities).

Basis Point
A measurement of fluctuation in the current yield equal to 1/100 of 1%.

Benchmark
A standard against which others are measured. For the purposes of this report, benchmarks are established income indices (listed in percentages) used to measure the health of the Fund's investment returns.

Bond
A promissory note issued by a company or government, which bears a fixed maturity date and rate of return.

Combined Pensionable Service
Pensionable service in both MEPP and in the Public Service Pension Plan is combined to determine the member's vesting status or benefits when retiring or leaving the Plan.

Deferred Member
A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan and has yet to choose a pension option.

Emerging Markets
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece and Brazil.

Equity
Stock, the ownership interest in a company.

External Manager
A third-party firm contracted to provide investment management services.

Guaranteed Terms Pension Option
A guaranteed pension is paid for the member's lifetime. If the member dies before the end of the guaranteed period, payments will continue to the designated beneficiary(ies) or estate for the rest of that period.

Joint Life Pension Option
Pension is payable for the joint lives of the member and the member's nominee (usually the pension partner). Upon the death of the member or the nominee, payments continue to the survivor for his or her life. Payments to the survivor may be lower than the original payment, depending on the member's choice at retirement.

Large Cap
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total TSX market capitalization.

Manager Structure
Manager structure refers to the number and mandates given to the Plan's investment managers. Manager structures can be built around balanced fund mandates where the manager invests across multiple asset classes (Canadian stocks, Canadian bonds, U.S. and International stocks) or specialty mandates where the manager invests in a single asset class. In the case of a specialty mandate the focus can be very specific such as investing in only Canadian small capitalized companies.

Money Market Securities
Fixed income securities that mature in less than one year. Also known as "cash equivalents" since their marketability and characteristics provide easy liquidity access to ready cash, as needed.

Normal Pension Option
Pension is paid for member's lifetime. If the member dies before the member's pension partner, a reduced pension is paid to the pension partner for as long as he or she lives.

Passive Equity
Equity bought as Toronto Index Participation Units (TIPS), allowing a fund to buy into the top 35 companies on the TSX.

Passive Strategies
These strategies involve investing to replicate the performance of a given market index such as the TSX for Canadian stocks or managing asset class exposure to match the performance of an established policy asset mix such as 50% S&P/TSX Composite Index and 50% Scotia Capital Markets Bond Universe Index.

Pensioner
A member, surviving pension partner or beneficiary who is receiving a pension from the Plan.

Policy Asset Mix
The distribution of funds among various types of assets broadly grouped into fixed income and equity related instruments that are specified in the Board's investment policy and offer the highest probability of consistently achieving investment objectives within the confines of a predetermined level of risk.

Policy Benchmark
A performance measure for the Fund, which is composed from the long-term asset mix policy and the benchmark indices for each major asset class.

Product
An investment vehicle, such as bonds, cash, money market securities, equities (both domestic and foreign), pooled funds, index funds, etc., offered by an investment manager for the purpose of investing funds to achieve investment goals set out in an investment policy.

Public Service Management (Closed Membership) Plan
This Plan, established in Schedule 6 of the *Public Sector Pension Plans Act*, Chapter P-30.7, RSA, provides retirement benefits for those persons who were members of the Public Service Management Pension Plan prior to 1994 and were retired or eligible to receive a pension from that Plan as at August 1, 1992.

Real Rate of Return
The real rate of return is the return achieved by an asset after adjustments for inflation.

Real Return Bond
A fixed income investment product (a bond) whose return is linked to the real interest rate to generate a specified real rate of return. Related terms: The real interest rate is the nominal (set) interest rate minus inflation. The real rate of return is the return achieved by an asset after adjustments for inflation.

Single Life Pension Option
Pension is paid for member's lifetime but no payments are made to a beneficiary or estate after the pensioner's death. This option is only available when there is no pension partner or the pension partner waived rights.

Small Cap
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of less than 0.15% of the total TSX market capitalization.

Statement of Investment Policies and Goals
A policy document set by the Board to establish the asset mix of the Fund, the manner by which the Investment Management Division of Alberta Revenue may invest assets and the specific holding limits for each type of security.

Swap (structured investments)
A contract between two parties to pay the other party the return on an underlying investment.

T-Bill
Short-term government security.

Time-weighted Return
A series of dollar-weighted rates of return designed to reduce the impact of the cashflows on the Fund's performance. Since the Fund manager usually has little control over the timing of the cashflows, the time-weighted return is used to measure the performance of the Fund managers.

Total Return
Measures income (dividend, cash, interest and accrued interest) and capital appreciation (or capital depreciation).

Unfunded Liability
An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

Indices

Canadian Consumer Price Index (CPI)
Measures the relative prices at various times of a selected group of goods and services that typify those bought by urban families.

Morgan Stanley Capital International World Index
Measures the total return attributable to the largest capitalized companies on the world's major stock exchanges. Maintained by Morgan Stanley, the index is compiled and reported monthly in local and common currencies.

RT Capital Median Manager
A reference point for measuring Investment Management Division's performance. RT Capital Financial Service Limited conducts surveys of balanced fund managers on a quarterly basis to create the RT Capital Universe. From this, RT Capital Canada determines the median (or middle-ranked) manager. Related Terms: RT Capital (Canada) Financial Services Limited is an independent firm that evaluates and reports on investment performance. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks and common stocks designed to conserve the investor's initial principal, pay current income and achieve long-term growth.

Scotia Capital Markets Universe Bond Index
Measures the total return attributable to bonds. Maintained by ScotiaMcLeod and includes representative bond issues by issuer (Federal, Provincial, Municipal and Corporate) by quality (AAA, AA, A, and BBB) and term (short-, mid-, and long-).

Scotia Capital Markets 91-Day T-Bill Index
Measures the total return attributable to 91-Day T-Bills. Maintained by ScotiaMcLeod.

Standard & Poor's 500 Index
Measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

S&P/TSX Composite Index
Measures the total return attributable to the 300 largest capitalized companies traded on the TSX. Maintained by the TSX, the index is compiled and reported on a daily basis. The index's composition is adjusted annually.

2002

Annual Report

Nine-Year Plan Summary

Nine-Year Plan Summary

($ thousands)	2002	2001	2000
Change in Net Assets			
Income			
Investment income (loss)	$ (77,732)	$ (66,405)	$ 117,078
Contributions			
Employees	20,241	17,946	16,667
Employers	25,989	24,415	22,316
Unfunded liability			
Employees	-	-	-
Employers	-	-	-
Transfers from other plans	243	781	66
Total Income	(31,259)	(23,263)	156,127
Expenditures			
Benefits paid	54,714	48,476	43,160
Refunds to members	1,603	1,247	1,415
Investment expenses	243	226	233
Transfers to Alberta Treasury Branches	-	-	(421)
Transfers to (from) other plans	536	1,464	244
Administration expenses	1,105	686	487
Total Expenditures	58,201	52,099	45,118
Increase (decrease) in net assets	(89,460)	(75,362)	111,009
Net Assets			
Investments			
Deposits	9,889	27,737	33,016
Fixed income securities	529,924	544,517	619,941
Equities			
Canadian	354,208	457,113	469,248
Foreign	422,772	445,930	428,950
Real estate	69,780	-	-
Balanced Funds	-	-	-
Total investments	1,386,573	1,475,297	1,551,155
Investment receivables	298	220	344
Contribution and other receivables	4,418	4,549	4,003
Total Assets	1,391,289	1,480,066	1,555,502
Total Liabilities	(708)	(25)	(99)
Net Assets available for benefits	$ 1,390,581	$ 1,480,041	$ 1,555,403
Asset fluctuation reserve	-	-	-
Actuarial value of net assets	1,390,581	1,480,041	1,555,403
Actuarial value of accrued benefits	(1,692,549)	(1,474,703)	(1,384,545)
Surplus (Deficiency)	(301,968)	5,338	170,858
Fund ratio (%)	82	100	112
Performance (%)			
Long-term goal	7.00	7.25	7.25
Rate of return – nominal	(5.30)	(4.4)	8.1
Benchmark	(5.60)	(4.1)	7.0
Consumer Price Index (Canada)	3.9	0.7	3.2
Real rate of return	(9.60)	(5.1)	4.9
Interest Rates (%)			
Bank of Canada	3.0	2.5	6.0
U.S. Federal Reserve	0.75	1.25	6.5
Stock Market Indices (%)			
S&P/TSX ($Cdn)	(12.4)	(12.6)	7.4
Dow Jones Industrial Index ($U.S.)	(14.9)	(5.4)	(4.7)
S&P 500 ($U.S.)	(22.9)	(6.4)	(5.8)
NASDAQ ($U.S.)	(31.2)	(20.8)	(39.1)
Participants - MEPP			
Active members	3,665	3,405	3,373
Deferred members	873	929	861
Retirees	1,669	1,480	1,329
Total	6,207	5,814	5,563
Average age of Active members (years)	48.9	49.0	47.8
Contribution Rates (%)			
Employees	7.75	7.75	7.75
Employers	10.75	10.75	10.75
Unfunded liability	-	-	-

Nine-Year Plan Summary (continued)

1999	1998	1997	1996	1995	1994
$ 206,210	$ 105,296	$ 132,257	$ 164,541	$ 131,520	$ (3,277)
13,681	15,175	14,116	14,107	13,840	14,076
15,777	17,000	15,321	15,519	16,810	20,188
1,475	1,571	1,436	1,276	1,186	701
5,403	5,762	5,267	5,905	5,148	2,362
1	34	24	273	753	3,598
242,547	144,838	168,421	201,621	169,257	37,648
38,232	33,483	27,820	21,561	16,327	12,120
1,554	2,651	2,680	1,935	1,968	1,814
215	219	164	179	169	105
-	-	-	-	-	-
66,279	-	83	462	952	618
581	440	414	315	372	298
106,861	36,793	31,161	24,452	19,788	14,955
135,686	108,045	137,260	177,169	149,469	22,693
3,335	4,043	12,449	19,871	54,862	22,776
569,897	597,605	563,226	473,026	405,690	377,173
494,928	365,032	354,951	322,071	207,025	169,816
378,355	309,543	239,351	225,235	189,504	139,823
-	29,629	27,889	20,207	18,521	18,183
-	-	-	-	9,619	-
1,446,515	1,305,852	1,197,866	1,060,410	885,221	727,771
281	213	396	384	993	6,723
2,953	3,112	2,579	2,889	608	5,767
1,449,749	1,309,117	1,200,841	1,063,683	886,822	740,261
(5,355)	(469)	(178)	(280)	(588)	(3,496)
$ 1,444,394	$ 1,308,708	$ 1,200,663	$ 1,063,403	$ 886,234	$ 736,765
(86,700)	(53,500)	(41,500)	(84,100)	(42,097)	17,827
1,357,694	1,255,208	1,159,163	979,303	844,137	754,592
(1,311,675)	(1,250,853)	(1,165,653)	(1,065,853)	(960,753)	(876,753)
46,019	4,355	(6,490)	(86,550)	(116,616)	(122,161)
104	100	99	92	88	86
7.25	7.5	7.5	7.5	8.0	8.0
16.0	8.8	12.3	18.3	17.7	0.0
13.4	11.2	13.4	17.0	17.3	(0.7)
2.5	1.0	1.6	1.6	0.2	1.7
13.5	7.8	10.7	16.7	17.5	(1.7)
5.0	5.3	4.5	3.3	5.8	7.4
5.5	4.5	5.5	5.2	5.5	5.5
31.7	(1.6)	15.0	28.4	14.6	(0.2)
27.0	18.0	24.8	28.6	36.5	5.0
14.2	38.0	39.2	23.6	33.9	7.3
85.9	40.1	22.1	23.0	40.9	n/a
3,003	3,013	3,474	3,500	3,696	3,725
1,032	867	808	729	575	554
1,183	1,048	893	718	549	398
5,218	4,928	5,175	4,947	4,820	4,677
48.1	48.2	46.9	46.8	46.7	42.0
7.0	7.0	7.0	7.0	6.5	6.0
8.0	8.0	8.0	8.0	8.0	8.5
3.5	3.5	3.5	3.5	3.3	2.2

Nine-Year Plan Summary

($ thousands)	2002	2001	2000
Change in Net Assets			
Income			
Investment income (loss)	$ (77,732)	$ (66,405)	$ 117,078
Contributions			
Employees	20,241	17,946	16,667
Employers	25,989	24,415	22,316
Unfunded liability			
Employees	-		-
Employers	-		-
Transfers from other plans	243	781	66
Total Income	(31,259)	(23,263)	156,127
Expenditures			
Benefits paid	54,714	48,476	43,160
Refunds to members	1,603	1,247	1,415
Investment expenses	243	226	233
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Total Expenditures	58,201	52,099	45,118
Increase (decrease) in net assets	(89,460)	(75,362)	111,009
Net Assets			
Investments			
Deposits	9,889	27,737	33,016
Fixed income securities	529,924	544,517	619,941
Equities			
Canadian	354,208	457,113	469,248
Foreign	422,772	445,930	428,950
Real estate	69,780		-
Balanced Funds	-		-
Total investments	1,386,573	1,475,297	1,551,155
Investment receivables	298	220	344
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Total Assets	1,391,289	1,480,066	1,555,502
Total Liabilities	(708)	(25)	(99)
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Consumer Price Index (Canada)	3.9	0.7	3.2
Real rate of return	(9.60)	(5.1)	4.9
Interest Rates (%)			
Bank of Canada	3.0	2.5	6.0
U.S. Federal Reserve	0.75	1.25	6.5
Stock Market Indices (%)			
S&P/TSX (SCdn)	(12.4)	(12.6)	7.4
Dow Jones Industrial Index (SU.S.)	(14.9)	(5.4)	(4.7)
S&P 500 (SU.S.)	(22.9)	(6.4)	(5.8)
NASDAQ (SU.S.)	(31.2)	(20.8)	(39.1)
Participants - MEPP			
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Employers	10.75	10.75	10.75
Unfunded liability	-		-

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38,232	33,483	27,820	21,561	16,327	12,120
1,554	2,651	2,680	1,935	1,968	1,814
215	219	164	179	169	105
-	-	-	-	-	-
66,279	-	83	462	952	618
581	440	414	315	372	298
106,861	36,793	31,161	24,452	19,788	14,955
135,686	108,045	137,260	177,169	149,469	22,693
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494,928	365,032	354,951	322,071	207,025	169,816
378,355	309,543	239,351	225,235	189,504	139,823
	29,629	27,889	20,207	18,521	18,183
	-		-	9,619	-
1,446,515	1,305,852	1,197,866	1,060,410	885,221	727,771
281	213	396	384	993	6,723
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(86,700)	(53,500)	(41,500)	(84,100)	(42,097)	17,827
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46,019	4,355	(6,490)	(86,550)	(116,616)	(122,161)
104	100	99	92	88	86
7.25	7.5	7.5	7.5	8.0	8.0
16.0	8.8	12.3	18.3	17.7	0.0
13.4	11.2	13.4	17.0	17.3	(0.7)
2.5	1.0	1.6	1.6	0.2	1.7
13.5	7.8	10.7	16.7	17.5	(1.7)
5.0	5.3	4.5	3.3	5.8	7.4
5.5	4.5	5.5	5.2	5.5	5.5
31.7	(1.6)	15.0	28.4	14.6	(0.2)
27.0	18.0	24.8	28.6	36.5	5.0
14.2	38.0	39.2	23.6	33.9	7.3
85.9	40.1	22.1	23.0	40.9	n/a
3,003	3,013	3,474	3,500	3,696	3,725
1,032	867	808	729	575	554
1,183	1,048	893	718	549	398
5,218	4,928	5,175	4,947	4,820	4,677
48.1	48.2	46.9	46.8	46.7	42.0
7.0	7.0	7.0	7.0	6.5	6.0
8.0	8.0	8.0	8.0	8.0	8.5
3.5	3.5	3.5	3.5	3.3	2.2

Corporate Directory 2003

MEPP

management employees pension plan

MEP Board Members

Employee Nominees	Employer Nominees	Public Service Commissioner Nominee (non-voting)
Gail Armitage	**Fred Barth**	**Lorne Saul-Demers**
Bill Lenius	**Nancy Bochard, Vice Chair**	
Theresa Ostrum, Chair	**Rod McDermand**	

Board Committees

Investment Committee	Communications Committee
Fred Barth	**Gail Armitage**
Nancy Bochard	**Bill Lenius**
Ladis Vegh	**Lorne Saul-Demers**
Tania Willumsen	

Administrator
Alberta Pensions Administration Corporation

Acting Board Secretary
Jim Millard

Fund Management
Investment Management Division of Alberta Revenue

Actuary
Aon Consulting Inc.

Auditor
Auditor General of Alberta

Contact Information

Management Employees Pension Board
3rd Floor, Park Plaza
10611 – 98th Ave
Edmonton, Alberta T5K 2P7
Phone: (780) 427-2782
1-800-661-8198 (toll free in Canada)
Fax: (780) 427-1621
Email: mepp.bd@gov.ab.ca
Web site: www.mepp.ca

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www.mepp.ca